

HOUSE OF COMMONS

Second Session—Twenty-second Parliament

1955

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND
TELEGRAPH LINES

Chairman: H. B. McCULLOCH, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

Bill No. 283 (Letter N-9 of the Senate),
An Act to incorporate Westspur Pipe Line Company

THURSDAY, MAY 12, 1955

WITNESSES:

Mr. J. F. Barrett and Mr. G. W. Robinette, Barristers-at-Law, and
Mr. B. H. Mackenzie, Executive, all of Toronto, Ontario.

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STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: H. B. McCulloch, Esq.,
and
Messrs.

Barnett	Goode	Lavigne
Batten	Gourd (<i>Chapleau</i>)	Leboe
Bonnier	Green	McIvor
Boucher (<i>Chateauguay- Huntingdon-Laprairie</i>)	Habel	Meunier
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Ellis	Johnston (<i>Bow River</i>)	Stanton
Follwell	Kickham	Viau
Gagnon	Lafontaine	Villeneuve
Gauthier (<i>Lac-Saint Jean</i>)	Langlois (<i>Gaspe</i>)	Vincent
		Weselak

E. W. Innes,
Clerk of the Committee.

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XC15
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ORDER OF REFERENCE

TUESDAY, March 29, 1955.


Ordered,—That the following Bill be referred to the said Committee:

Bill No. 283 (Letter N-9 of the Senate), intituled: "An Act to incorporate Westspur Pipe Line Company".

Attest.

LEON J. RAYMOND,
Clerk of the House.

NOTE: The Report to the House on Bill No. 283 will appear in the next issue (No. 5) of the printed Proceedings.



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MINUTES OF PROCEEDINGS

THURSDAY, May 12, 1955.

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.20 o'clock a.m. The Chairman, Mr. H. B. McCulloch, presided.

Members present: Messrs. Barnett, Batten, Byrne, Campbell, Carrick, Deschatelets, Gauthier (*Lac-Saint-Jean*), Gourd (*Chapleau*), Green, Hahn, Hamilton (*Notre-Dame-de-Grace*), Hamilton (*York West*), Harrison, Healy, Herridge, Hosking, James, Johnston (*Bow River*), Kickham, Lafontaine, Lavigne, Leboe, McCulloch (*Pictou*), McIvor, Meunier, Nicholson, Small, Stanton, Villeneuve, Vincent, and Weselak.

In attendance: Mr. George J. McIlraith, M.P.; Mr. J. F. Barrett, and Mr. G. W. Robinette, Barristers-at-Law, and Mr. B. H. Mackenzie, Executive, all of Toronto, Ontario.

The Committee proceeded to the consideration of Bill No. 283 (Letter N-9 of the Senate), intituled: "An Act to incorporate Westspur Pipe Line Company."

Agreed: That the Committee print 750 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence in respect of Bill No. 283.

The Preamble was called and Mr. Barrett outlined the purpose of the Bill.

Mr. McIlraith, sponsor of the bill, outlined and explained the differences in other pipe line legislation, as compared with the Bill under consideration. Clauses 1 and 2 were adopted.

On Clause 3: On motion of Mr. Byrne,

Resolved,—That for the purpose of levying a charge on the capital stock, which will have no nominal or par value, the Committee recommend that each share be deemed to have a value of \$10.00
Clauses 3 to 5, inclusive, were adopted.

On Clause 6: Mr. Green moved, seconded by Mr. Small,—

That Clause 6 (a) be amended by inserting after the words "gaseous hydrocarbons" in line 29 the following:

"provided that the main pipe line or lines for the transmission or transportation of gaseous hydrocarbons shall be located entirely within Canada".

The amendment was resolved in the negative on a division of Yeas: 10, Nays: 15.

Clauses 6 to 10 inclusive, the Title and the Bill were adopted.

The Chairman was ordered to report the Bill, without amendment, to the House.

At 12.30 o'clock p.m. the Committee adjourned to the call of the Chair.

E. W. Innes,
Clerk of the Committee.

EVIDENCE

THURSDAY, May 12, 1955.
10.00 A.M.

The CHAIRMAN: Gentlemen, we have a quorum.

The bill before us this morning is bill No. 283, No. N-9 of the Senate, entitled an Act to incorporate Westspur Pipe Line Company.

Is it agreed that the Committee print 750 copies in English and 200 copies in French of its Proceedings in respect of this Bill—Agreed.

Shall the preamble carry?

We will hear from Mr. Barrett.

Mr. GREEN: Could we have a statement?

The CHAIRMAN: Yes, Mr. Barrett is going to give us a statement.

Mr. Joseph Flavelle Barrett, called:

The WITNESS: Mr. Chairman and gentlemen, the bill to incorporate Westspur Pipe Line Company is inspired by the wish to have a vehicle which we can use to construct and subsequently operate a small, or more than one small, branch or gathering pipe line in Western Canada, specifically the Northwest Territories, British Columbia, Alberta, Saskatchewan and Manitoba. In recent years there have been a number of discoveries very close to or on the provincial or international boundaries in western Canada. Until pipe lines are built connecting the oil well to a refining centre such as Regina, Calgary or Edmonton, or until a pipe line is built leading from the well or field to a main interprovincial pipe line such as Interprovincial or Trans Mountain, it is necessary in order to get the oil to market to get it there by truck or if available by a railway tank car; that is an expensive procedure. Therefore, as soon as it is economically feasible the producers in the area plan a pipe line.

Now, you will realize that pipe line means everything from a great 30 inch pipe line such as you have in part on the interprovincial route down to a small 4 or 6 inch pipe line which you would use if your production is small from a given area.

With that background I would like to point out that in December, 1953, the Pipe Lines Act was amended by the addition of section 10A; and section 10A is a prohibitive section in that it states that "No person, other than a person having authority under a Special Act to construct or operate pipe lines for the transportation of oil or gas, shall construct or operate an extra-provincial pipe line." It goes on to say "nothing in this act shall be construed to prohibit or prevent any person from operating or improving an extra-provincial pipe line constructed before the 1st day of October, 1953." That does not apply to people coming along with a new pipe line so in effect the Act says no person shall construct or operate a pipe line unless he has an authority to do so under a special Act. We are petitioning for the incorporation of the Westspur Pipe Line Company by a special Act in order that we can use it for the purpose of constructing and operating an extra provincial pipe line. Extra-provincial pipe line is defined as meaning "a pipe line for the transportation of oil and gas connecting a province with any other or others of the provinces, or extending beyond the limits of a province."

Now, specifically the territory we are interested in is the Saskatchewan-Manitoba area, the southern part of those two provinces. Our company and others—and by our company I represent Imperial Oil—have made some small discoveries down in that area, in particular Alida and Nottingham and Frobisher. As it is at the moment there are two, three, up to a dozen producing or prospecting producing wells in that area and those three places are in the extreme southeast corner of Saskatchewan. The interprovincial pipe line runs across the provinces north of that. It is our hope that further drilling for oil in that general area, the southeast part of Saskatchewan, will prove up sufficient reserves so that it will be feasible to construct a small gathering system in those fields, a pipe line approximately 35 miles long, which will go across the Saskatchewan-Manitoba border and connect up with Interprovincial Pipe Lines at Cromer which is a delivery point on the Interprovincial pipe line in Manitoba.

I believe that already oil is going into Cromer coming down from the Dalles-Roselea fields. That pipe line would consist of a gathering line and approximately 35 miles of line going across the provincial boundary to connect at Cromer where the oil could be pumped through interprovincial down through to Sarnia in Ontario. At the moment the oil from those fields is being taken by truck or railway tank cars which is an expensive process. If the pipe line could go in it would result in the oil being transported much more cheaply. It is pointed out to me that when I mentioned 35 miles as the distance that is from Alida to Cromer. If the extension were from Frobisher we would be talking about a total distance of about 70 miles.

I have maps here drawn to indicate these production areas and the route of the Interprovincial Pipe Line which I can circulate if anyone is interested in seeing the localities I am talking about.

I think the only other thing I would like to point out is some of these wells are located very close to the international border and it is logical to anticipate that some of these fields may stretch across the international border into the United States. We have one well which is indicated on this map being circulated known as Lulu Lake and it is only three miles from the international border so that well might indicate a field which might go right down across the border.

I think that is all I have as a general introduction to the bill. Shall I leave it at this point, Mr. Chairman, for questions?

The CHAIRMAN: Yes.

Mr. BYRNE: Will these lines that may be possibly built on an international boundary or crossing an international border be for the purpose of bringing the oil into Canada or going the other way into the United States?

The WITNESS: It would probably be bringing the oil into Canada and you realize it then would go into the International Pipe Line which goes back into the United States. I suppose it would depend on the best route from the American wells to the American refinery. At the moment in this present area the Canadian route would be the easy one.

By Mr. Green:

Q. Mr. Barrett, in your bill you are asking power to build pipe lines outside of Canada?—A. Yes, sir.

Q. In so doing you have in mind these small branch lines from small fields. Is that what you have in mind?—A. Yes, sir.

Q. Your main purpose is to construct gathering systems in Canada?—A. Yes, sir.

Q. And crossing the border of Alberta, British Columbia and possibly Saskatchewan and Manitoba.—A. Yes, sir.

Q. If you did build a line into the United States would it be done by this company or by some American subsidiary?—A. I suppose on the basis of precedent it will probably be done by an American subsidiary. I really cannot answer that categorically. I have not thought that out. That would be step number 2 if we got our Canadian company first. I know it is the usual practice to use an American company for the purpose of owning and operating in the American section of an international line. I would think we would use an American corporation.

Q. Then you are asking power in this bill to build gas pipe lines as well as oil?—A. That is right, sir. I have a particular reason for including gas as we have emphasized crude oil.

Q. What is the reason for including gas?—A. The reason is that a gathering system in the field, as opposed to a pipe line such as Interprovincial, might very well have to gather oil from the well and that oil would have in it dissolved gas. Now, before the oil can be put into the main pipe line that gas might have to be taken out of the oil, separated, and therefore for a part of the route the pipe line might be gathering both oil and gas. We call it an oil pipe line and it is only oil we are interested in, but you get gas mixed with oil in the early step of pipe line transmission.

Q. But your bill is in such terms it would enable you to make the transportation of gas your main purpose?—A. It is, I admit, that.

Q. I would ask whether you have any objection to writing in a provision to the effect that the main pipe line for the transmission or transportation of oil, gas, etc., shall be within Canada? I point out that the Trans Mountain Pipe Line Company, to which you referred, has this provision in section 6 of its charter:

Provided that the main pipe line or lines for the transmission or transportation of oil shall be located entirely within Canada.

Also that the Trans Canada Pipe Lines, which as you know is a company now proposing to build a line right across Canada, have a similar provision reading as follows:

Provided that the main pipe line or lines either for the transmission or transportation of gas or oil shall be located entirely within Canada.

The same proviso has been a standard proviso written into all these charters I think since 1951. In fact the West Coast Transmission Company Limited, which is the company proposing to export gas from the Peace river district down to the northwestern states, came before parliament in 1950 and asked that their incorporating Act be amended to take out the power to build a pipe line outside Canada. They got under the wire in 1949 before we knew very much about the pipe line question and so did the Interprovincial Company; just before the House broke up for the election. West Coast Transmission Company Limited came back in 1950 and voluntarily had that proviso deleted. Now, would you be willing to have a similar proviso written into the bill in section 6 so that you would not be placed in a more advantageous position than Trans Mountain or Trans Canada or different other pipe line companies which have this provision in their charter?—A. Mr. Green I agree with what you say in your summary of the provisions of other pipe line company charters. I point out that we patterned ours after Interprovincial chiefly because I and others had something to do with getting that company incorporated. The earlier companies such as Interprovincial, Trans Northern, Western Alberta Natural Gas and Prairie Transmission, do not have any such provision in their charter. The later companies, the ones you quoted and some others, Canadian Montana Champion Pipe Line, Independent Pipe Line, Trans Canada, Trans Mountain, today have these provisos. Our feeling is that a proviso to the effect

that the main pipe line or lines be located entirely in Canada has little if any application in view of the purpose which we have in mind for this company. We do not propose to build any main pipe lines. We are going to build branch lines, connecting lines. I am not trying to play with words, but I presume you would agree that Trans Canada is building a main pipe line or trunk line, and Interprovincial and Trans Mountain built main pipe lines. What we are interested in are small gathering lines in the field and small branch lines which lead up to the main pipe lines and I do not believe we are going to build any main lines at all. It is for that reason we have put the provision out.

Q. While that is the intention of Imperial Oil at the present time, this charter is so worded that you have power to build main lines. Your charter does not confine you to branch lines at all?—A. That is right.

Q. It is your charter that counts, not your intention, at the present time. That intention may change and we may find that the Imperial Oil Company is out to build a main gas line. Now, do you think it would be fair for them to have wider powers than are possessed by Trans Canada Pipe Line or, in the case of oil, by Trans Mountain? I do not see any reason why you should object to this proviso being written in especially as you say you have no intention of building a main line. Furthermore, you see there are half a dozen other pipe line bills to come before this committee and if you are able to get a wide open charter such as I admit 4 or 5 companies got under those pressing conditions in 1949 before we knew what it was all about, then these other applicants are entitled to get the same treatment. It seems that does put Trans Canada and Trans Mountain and Mid Continent and these other lines in a very unfair position.

By Mr. Herridge:

Q. Mr. Chairman, I want to support Mr. Green's point of view. The committee has more or less established a principle to that effect. While it is not the intention of the sponsors at the present time to establish more than feeder lines it leaves them the right; and I agree with Mr. Green that the same principle should be written into this bill as has been written into all previous bills passed by this committee.—A. Of course the position that I was taking on this was that we cannot build any pipe line without the approval of the Board of Transport Commissioners. We have to go to them for leave to construct and then for leave to operate. If they do not grant us the leave, we do not construct or operate. On this type of venture, not expecting to have any main pipe line, I felt that that type of proviso was meaningless, and worse, it might lead to difficulty. Let us assume we are building a system of gathering branch lines crossing the international boundary. I do not know what is a main pipe line and what is not a main pipe line. We might have 40 miles of pipe line in the United States and 35 miles in Canada. Are we then transgressing this proviso? The whole point of this pipe line application—and I suppose others—is to build a pipe line that will most economically get the oil to market. The international boundary did not seem to be of any importance to us in that regard.

By Mr. Green:

Q. I am not questioning the fact that you put in your section 6 the power to build a line outside of Canada. Some of these companies did not even get that power. I am not questioning that you should have that right because as you say you may want to build a small branch line over the boundary; but the difficulty is your powers are not confined to building branch lines. There is not a word in this charter saying you are only going to build branch lines. It means you could build main pipe lines without the restriction that applies to the other companies and that I think is unfair.

Mr. CARRICK: Would there be any difficulty in determining what is a main line and what is a branch line if that were written into it?

Mr. HAMILTON (*York West*): I would think that there would be difficulty in determining it. It probably could be a very good legal point at some stage. I think the objection here is this to a great extent is a matter of government policy, the question of the flowing of these materials in and out of the country. Had Mr. Barrett come today with a specific plan showing the area which was being used or the area that was being covered by the gathering system, setting out the particular area, we probably could have decided it here, but once it goes to the Board of Transport Commissioners I would think it was outside our power and we are asking for reservation in respect to that policy.

Mr. McIVOR: Mr. Chairman, I am a bit muddled. I do not see why this line should go to Gretna leaving out the Lakehead. If this line supplies Winnipeg and the other line is supposed to supply Winnipeg, I don't see how I can support it because I have been enthusiastic for the all Canadian pipe line serving Canada first. Why should it go to the Gretna market? They want to send it into the United States and I am a bit muddled.

The WITNESS: May I explain that the pipe line shown there is the Inter-provincial Pipe Line already built. We have not shown a route for our proposed pipe line because it is too early to locate it. What we have that map for is to illustrate the various fields which we would like to connect to the inter-provincial pipe line. For instance, we think one possibility is to have a pipe line from our wells to Cromer which is on the Interprovincial Pipe Line in Manitoba quite close to the boundary; that is entirely within Canada. The pipe line itself already exists and does go through the United States in order to reach Superior and Sarnia, Ontario.

By Mr. Green:

Q. Then why not change your charter to provide you have power only to build branch lines? Why seek this general power to build pipe lines of any kind? If you have a provision in that the main line must be within Canada, it does seem to me that does not injure you as long as you are building small branch lines and nobody can possibly construe such a line as being a main line. If you are not willing to have a proviso written in such as in other charters, why not change your charter and merely ask for the power to construct branch lines?—A. I had anticipated this, Mr. Green, and considered various limitations. I am just naturally reluctant with oil being discovered all over the place in western Canada. I was reluctant to limit at this time the powers of this company so that we could go in any direction we wanted that looked feasible in the interest of oil production. A proviso such as you suggest limits us to branch lines; or another proviso, limiting the location of our main line, is to me just anticipating what our needs would be and we did not feel we could. That is solely the reason for the present wording.

Q. Is there any reason why Imperial Oil should have further rights than these other companies?—A. No.

Q. They were satisfied to have that proviso written into their charter and I do not see why Imperial Oil should not be satisfied with the same proviso. If the intention of the company is to try to break down this provision calling for building these main lines in Canada then, of course, that raises very far reaching implications which may force this whole issue into a fight again when we thought it had been settled.

By Mr. Hosking:

Q. Mr. Chairman, is this a new situation which has arisen in the last year or two which is causing this problem? What has cropped up?—A. Well, I

suppose the answer is that it is new, yes, because the Pipe Line Act was amended slightly more than a year ago.

Q. What did the amendment do?—A. The amendment said that only a company which was authorized by a special act of parliament could construct or operate an extra-provincial pipe line, meaning a pipe line crossing political boundaries.

Q. That would mean that if you were drilling in an oil field which was partly in Manitoba and partly in Saskatchewan you could not run a pipe line across to bind those two wells together.—A. That is correct, unless the pipe line was constructed by a company which had obtained its charter from parliament.

Q. Why did they change the law so that you could not do that? What happened to stop you from doing it?—A. Why did they amend the Act? I am guessing, but I suppose the government wanted to have control over pipe line construction and operation, and therefore they amended the Act.

Q. If you should obtain such permission now, you would still have to abide by the decision of the Board of Transport Commissioners.—A. That is correct.

Q. With regard to the operation.—A. The construction and then the operation; there are two separate sections, or two separate licences required; in the first case you go to the Board before you have done anything and file your plans and ask for permission to construct your pipeline along an indicated route for an indicated purpose; and after that the Board has power to see if you have followed your licence and complied with their requirements; and you ask for and obtain a second licence permitting you to operate the pipeline.

Q. You represent only Imperial Oil?—A. Yes.

Q. Are we going to receive a request from BA and from every other oil company to do the same thing that you want to do?—A. It could be!

Mr. McILRAITH: BA have got one. There are also a number of bills of this nature being processed at the moment.

By Mr. Hosking:

Q. So it would seem to me that you could get one, and that there will be other oil fields on the other side of the boundary, and they would be in the same position.—A. Yes sir.

Q. And they all come under the Board of Transport Commissioners.—A. If it is a pipe line crossing a boundary, yes; but if it is wholly within a province, then it comes under provincial jurisdiction.

Q. And until upwards of a year ago you had the right to do this.—A. Yes, any letters patent company could build it.

Mr. WESELAK: Mr. Green is concerned with the possible export of gas and oil to the United States.

Mr. GREEN: I think I made it clear throughout all the pipe line controversies that the main pipe line should be built on Canadian soil. Mr. Barrett has given his thinking that the oil companies should get to the biggest market by the shortest route, and that the international boundary does not mean anything. He said this morning that in their thinking the International boundary does not exist. But in my thinking, and in the thinking of the Rt. Hon. Mr. Howe on the Trans Canada Company question, the international boundary does exist. It is a very serious factor in considering government policy. These main pipe lines—certainly for gas—must be built across Canada and not through the United States; and yet this charter, if granted in its present form, would give these applicants—who are Imperial Oil—the power to construct a main line through the United States.

They say that they only want to build branch lines; but I cannot for the life of me see why they ask for special treatment, and why they want a charter which does not contain a provision that the main line must be in Canada. As Mr. Hosking said, if they should get that right, then the other oil companies will come here and demand the same right. I cannot see why they should not be satisfied with a charter such as all the other companies have.

By Mr. Hosking:

Q. You cannot export oil cross the international boundary without a permit from the Board of Transport Commissioners.—A. I am sorry, I think the permit must be issued by the Minister of Trade and Commerce.

Q. Yes. As I understand this thing, you have an oil well on the boundary between Canada and the United States, the same as you might have one on the boundary between the provinces of Manitoba and Saskatchewan, and you want to assemble an oil field into one main line body and one outlet.—A. Yes sir.

Q. And with permission of the Minister of Trade and Commerce, you could ship from that oil field to the States, or to the rest of Canada?—A. Yes.

Q. But you would have to have the consent or permit of the Minister of Trade and Commerce to do so?—A. That is right.

Q. So actually this is not a trans-Canada pipe line at all, it is an assembly line, actually, operating an oil field and you may be shipping oil one way or the other; but you first have to apply to the Board of Transport Commissioners for a permit, and if you go across the international boundary line, then you have to get a permit from the Minister of Trade and Commerce.—A. That is correct.

Mr. GREEN: That is true of all of them.

Mr. HOSKING: It sounds to me as though they cannot operate an oil company.

Mr. GREEN: That is true with regard to all these other companies which got charters; they are all subject to the control of their export by the Minister of Trade and Commerce; but these other companies in their charters have agreed that their main lines will be in Canada. Now this company, these applicants, are not willing to do that apparently; and I do not see why they should get special treatment. After all, they are a subsidiary of Standard Oil of New Jersey, a subsidiary of an American company. True it is the strongest oil company in Canada, but that is the fact. Why they should come here and be unwilling to have this proviso written into their charter I cannot understand.

By Mr. Hosking:

Q. As I understand it, their charter now asks for just four provinces.—A. Four provinces, the Northwest Territories, and outside Canada.

Q. What does "outside Canada" mean?—A. The United States.

Q. Is your bill going to give you permission to ship our oil down into a main pipe line in the United States over which the Minister of Trade and Commerce has no control?—A. Well, he would, sir, because our pipe line cannot be built across, or cannot operate across, and it cannot ship oil across the international boundary without government permission, which can be withdrawn at any time; and in answer to your question, I would say yes; this company, or any of these other pipe line companies could presumably gather oil on the international border and then ship it north into Canada or south into the United States. I suppose it would depend on where the market is, because as you know we cannot produce all the crude oil we would like to because the market is inadequate. I suppose the decision would be made on the basis of markets.

Q. The Minister of Trade and Commerce took that attitude at the time of the all Canadian pipe line, and if we can keep the Minister of Trade and Commerce there, we would be assured of a very safe situation in Canada.

By Mr. Hahn:

Q. Is there not a further safeguard that should permission be granted to build a pipe line into the United States, the Minister of Trade and Commerce can at any time stop the export of that oil into the United States? This would merely give you the right to build the pipe line as such.—A. Build and operate, yes.

Q. Yes, but the operation can be stopped at any time.—A. That is correct.

Mr. CARRICK: Mr. Green stated that certain company charters now contain a prohibition to the effect that any main line must be within Canada. At the time the charters were granted to such companies the same power existed in the Minister of Trade and Commerce which exists now, to regulate the sale of oil outside Canada.

Mr. GREEN: Oh yes, that power has existed throughout, and so has the power of the Board of Transport Commissioners, but it was felt that parliament should take a stand on it, and that should be the policy with regard to these pipe lines. Primarily that was the reason that this proviso was written into these various charters and passed by the House and accepted by the companies. They are all now operating under these provisos, and if Imperial Oil is now attempting to break down that legislation which has been passed by more than one parliament—the legislation was passed at more than one session—then I suggest that it raises a very serious question. That is not only a policy which the opposition has fought, but one which is also contrary to the policy adopted by the Minister of Trade and Commerce in his statement about the gas pipe lines across Canada as to which, as he said in the House, Canadian interests must be served first.

Mr. CARRICK: If such a clause was not inserted in this charter, would this be the first case since 1950 that it has not been inserted?

Mr. GREEN: Yes, I think so. I am not sure when the Alberta Natural Gas Bill went through. It was filibustered for one whole session, but I think eventually it went through.

By Mr. Carrick:

Q. Mr. Barrett, if you carried out the immediate plans you have outlined to us for gathering oil and delivering it to Cromer, and the northern area of the United States, and if the main line must be built in Canada, would there be any difficulty, in your opinion, in interpreting the words "main line"? You would have no difficulty? Most lines which would cross to the United States would only be branch lines.—A. I think there would be some difficulty about that; but to carry it a step further, let us presume that we do build this line to Cromer; and let us presume that there is a fine market for oil opened up in the United States near Minneapolis. I do not know whether that is a good example or not; but Minneapolis is quite a big place, so let us say that it could support a new 40 thousand barrel a day refinery. Why should we not build it, if we are lucky enough? Why should we not build a pipe line taking some of our Saskatchewan and Manitoba oil down to that refinery?

You appreciate that at the moment our wells across Canada are not producing as much oil as they could produce, and under engineering standards the reason is that there is no market for it. Suppose we build a 35 mile branch line and call it a pipe line to Cromer; and later on we find a fine market opened up down in Minneapolis for more of this oil; so we build a 200 mile pipe line down to Minneapolis and that results in more Canadian oil being consumed, which is what we are after, if we have extensive western Canada crude. Which is the

main line and which is the branch line? Why should we not build that line, and why should we have any proviso in our charter which might cause lawyers later on to tell us that we cannot do it. That is my comment.

By Mr. Byrne:

Q. I have never shared the apprehension of Mr. Green that lines should not traverse the international boundary. On the basis of pure economics I always felt that oil should be transported in the most economical way. I have not any great fear that this bill is going in any way to injure the position of Canada with respect to marketing its natural resources. I wonder when this bill was presented, if the Department of Trade and Commerce officials had full opportunity to peruse it and determine whether its effect would be to transgress the policy of the government with respect to pipe lines?—A. Mr. Chairman, I was told that the Department of Transport was the proper department to consult about this and I did consult the Department of Transport. They had no objection. They just do not give approval to one application like ours and not give approval to another. They do not endorse; but I did give them every opportunity to comment and criticize, and I got nothing from them.

Mr. McILRAITH: They had no objection. That is on the record before the Senate Committee.

By Mr. Byrne:

Q. I can see the difference between a pipe line company which has been authorized expressly for transporting gas and oil from one province to another, or the Trans Canada, for instance, having less difficulty in administering their affairs when they are transporting over a distance; but when we are chartering a company which will be gathering across international or interprovincial boundaries, I think there should be some flexibility, that is, they may have to bring it into Canada or take it to the other country where the market is located at the time.

In the House only recently we have heard consternation expressed over the fact that the Americans were contemplating an embargo on our oil. That seemed to be met with very great objection by all parties in the House; so that there is a very great need for markets at the present time. I think we could very well charter this company on the basis that they are presently asking.

The witness has said that the market is not available. I wonder if the witness could tell me, under the normal law of supply and demand, why it is that at the well head in British Columbia gasoline costs 50 cents a gallon, while here in Ottawa you can purchase it for 43 cents? That question has always vexed me and I wonder if we could have some logical explanation for it at this time, if supply is greater than demand now in western Canada.—A. I am afraid that I am over my depth on that one. Might the provincial gasoline tax not account for the difference?

Q. No. I think the gasoline tax is higher here than it is in Manitoba, or there is one cent difference either way.—A. Frankly I do not know.

By Mr. Hamilton (York West):

Q. This may have come up before when other bills were considered, when they were talking about provisions outside of Canada, because apparently it is a restriction we have heard about. But from a practical standpoint can you see this company here actually constructing work in the United States, within United States territory, and have a gathering system and actually owning the land in the United States or leasing the land to complete the physical property? I am sure that accounting-wise you would try to avoid

that, being in business in Canada, from being in business in the United States. Is it not much more likely that you would want to incorporate a subsidiary company in the United States to carry out your objectives, and if so, why would you need the power to do business outside of Canada?—A. That is a very good point, Mr. Hamilton. Don't you think though that the power of a company to invest its funds in other companies and to incorporate subsidiaries is limited to companies having similar objectives? Now, if this company is specifically limited to Canada, would it have the power to incorporate a subsidiary in the United States, so that its subsidiary would be doing something which is to all intents and purposes prohibited by its charter? You see my difficulty.

The Companies Act, in its powers, does say that every company has the power to incorporate companies or invest its money in companies having similar objectives. Suppose you put a limit on our objects of the type you describe? I query it. I do not know the answer to it. I query whether we have technically the power to incorporate a subsidiary in the United States to build, or to own an American part of the pipe line.

By Mr. Green:

Q. Surely the answer is that a subsidiary would not be incorporated by Westspur Pipe Line Company; the subsidiary would be incorporated by Imperial Oil—A. I do not agree. The usual scheme is to have a company like Westspur. It has happened in Alberta in the last month or so. That is the usual procedure in the field.

You will agree with me that we want to cut the transportation charges. If there is a transportation charge of 90 cents per barrel, and they say that they can cut it to 30 cents a barrel, at that stage would they not hog the whole thing and build this line, which would earn 5 or 6 per cent? We would have to go to each producer and say to him: "Would you be interested in participating with us in a pipe line venture?" And from our experience I believe every producer would always say: "Yes." So it would be a case of the shareholders owning the line and the oil in the field, and that same group, I presume, would own and operate the American pipe line, if there is not one owned by a subsidiary which would restrict us at that stage. In that case we would have to do the whole job over again in the United States. I think that summarizes it.

Mr. HAHN: There seems to be considerable confusion about the original bill. I understand we have the sponsor of the original bill with us. Perhaps we could hear from him, when we would get a more thorough explanation and be more thoroughly conversant with what is intended.

Mr. BYRNE: You should get to the meeting on time.

Mr. McILRAITH: I do not know if the committee wants to hear me, but if so I would be happy to give an explanation if I can, and if the committee wishes to hear me. It is entirely up to the committee.

There does seem to be a little confusion. I think it was indicated that the bills or Acts about which Mr. Green was speaking were bills seeking incorporation to transport gas in great schemes.

What we now have is rather a local problem limited to the producing area; it is an area problem.

The big fight on the gas bills was on the one hand to take gas from the producing areas to the west coast, and on the other hand to take gas from the producing areas to the central part of the country. This bill, I think, is the first one to come before the committee with a geographic limitation in it. It is limited to the four producing provinces and the Northwest Territories.

Mr. NICHOLSON: And the United States.

Mr. McILRAITH: I am coming to that. The limitation in the section in Canada is from the producer to the refinery or main pipe line and it is quite distinguishable from the Acts which Mr. Green was talking about where the proposition was to transport gas from the producing area to the consuming area.

This problem arises out of the 1953 amendment which in effect prohibited the construction or operation of a pipe line across a provincial boundary. There are some quite extraordinary results from that prohibition. I think Mr. Barrett was very modest in illustrating the results.

If you look at any good oil map and look at the area in southeastern Saskatchewan, you will find an extraordinary thing, that the pumping station serving the South East Saskatchewan area is eight miles inside the Manitoba boundary. It is another twenty miles down to the oil field; and you will see running down about fifty or sixty miles that you have Alida, Frobisher, Nottingham, Lampman, Steelman and Midale in through there. And you have that extraordinary situation. But if you take the cost of trucking that oil out and getting it into the interprovincial pipe line and compare it with the cost of a branch pipe line, you will see why a pipe line is necessary.

If you turn them back to provincial jurisdiction, you will find that the pipe line would have to go backwards against the flow of the interprovincial pipe line, so you have a double charge on your oil. Somebody spoke about the price of gasoline a few minutes ago. If you begin piling up transportation charges, it is a real cost factor.

If you examine the fields more closely you will find similar situations and I think that the Lloydminster area is a good example of where the wells are literally right on the boundary; and you will find there the need for branch lines. I think there was one indicated to me where the wells are one mile apart, with one in each province, and the same thing happens up in British Columbia, as well as in the part along southeast Saskatchewan and Manitoba. If I am correctly informed there is a real problem in that area; and some of the wells are literally as close as two miles to the United States boundary. What is to be done with that oil if it cannot go down into the main pipe line to Superior, and to Sarnia? Where is it to go? What is to be done with it? I do not know what the answer is. I am not sure but are any of the wells close to the U.S. border in Manitoba in production?

The WITNESS: Yes.

Mr. McILRAITH: Whose are they?

The WITNESS: In Manitoba it is Standard of California, and we have a few.

Mr. McILRAITH: There is a group of bills before the Senate now. One was dealt with just half an hour ago. Whitehorse has the same problem and there is one in southeastern Saskatchewan. There is another current one on the Skagway-Whitehorse railway, where the U.S. Army is supplying the Yukon with fuel and diesel oil through a pipe line, and the United States army has been good enough to make arrangements to let the civilian supply be taken off that pipe line. The United States army has built a new pipe line running through Alaskan territory up into Alaska from near Skagway, and we have a situation where people in Whitehorse and the Yukon are very much concerned about the supply of fuel oil. You have the same problem there. So if this bill is not put through quickly with the "outside Canada" clause there will be no way of getting fuel oil across a small strip of Alaska.

Some of the British Columbia members could tell me the width of it. I think it is fifteen or twenty miles to the Skagway boundary; and there would be an impossible situation there. That is perhaps an extreme example but it indicates the problem. Incidentally, in the comparative costs of hauling fuel oil the charge from Vancouver to Whitehorse is \$2 and something by one method, and if you do not have a pipe line across the interprovincial

boundary and outside Canada there is a cost of \$14 or \$15 a barrel for transport by the truck method. This thing here is designed to meet the situation for the producing wells to the refinery. When you come into controls I think perhaps if the committee would bear with me for a moment I might help to clarify matters. Incorporation does nothing but create the corporate capacity. They then have to make an application to the Board of Transport Commissioners outlining the projected pipe line, proving financial worth and quite lengthy and detailed requirements. Then they get a certificate at that point for leave to construct the line and then they have to come back before operating the line with a report of everything that has been done, with the further check on the requirements before operating it. When they get by the Board of Transport Commissioners twice then there is the question of export permits. Now, you see that the effective control under the Pipe Lines Act lies not in the parliament in its incorporating bill but rightly or wrongly was put in the Board of Transport Commissioners and the Minister of Trade and Commerce under the Fluid Exportation Act; that is where the effective control lies, so that once you deal with the worthiness and that sort of thing of the incorporators, the effective control is placed elsewhere. Whether that was right or wrong is a question on which I suppose everyone can have his opinion; but that is what has been done.

Mr. HAHN: Would you go so far as to say in effect even though a permit were given to build pipe lines they may never even carry any oil if the export licence was not granted?

Mr. McILRAITH: That would be quite right.

Mr. NICHOLSON: Mr. Chairman, I think Mr. Barrett interjected a note which we should pay attention to. In so far as granting permission to branch lines there would be no problem, but if this Frobisher field should develop to the Leduc area it would be obvious that the Minneapolis market would be the most attractive market. Having lived in the west for a number of years I have been annoyed by the international boundary. We have to pay a very high penalty for living north of it, but on balance I think we prefer to have this boundary and I think that if permission was granted to build these branch lines and lines in the United States the Board of Transport Commissioners does have to observe the Acts of parliament and if we give this company authority to build a 200-mile line down to Minneapolis, I do not see that the Board of Transport Commissioners would have any authority to refuse that permission; then the Department of Trade and Commerce I think would be in a position where it might be difficult to refuse the permission to export the oil to the best market. I think that until the parliament of Canada has decided that we are going to disregard the international boundary and sell our oil in the best market I think we should not give a blanket permission to construct a line down to the United States. I would think we should consider the position of protecting our own Canadian people. I hope that sometime we will be able to find oil in large quantities in Saskatchewan and that this oil will be supplied first of all to our own Canadian market before we are placed in the position of exporting down to the United States. I wish Mr. Barrett could agree to a change in the wording that would limit the operations of this organization to interprovincial and also to the international operations as suggested to him in case there are fields right near the boundary. I think at this stage we should not leave the door open to constructing lines down from Manitoba, Saskatchewan and Alberta to more profitable markets in the United States immediately south.

Mr. CARRICK: May I ask Mr. McIlraith if Mr. Nicholson is right in saying if the power exists to export to the United States that the Board of Transport Commissioners would be obliged to grant the licence?

Mr. McILRAITH: No, he was mixing the words "capacity" and "permission". The word he should have used was capacity.

Mr. CARRICK: Is he right that if the Board of Transport Commissioners does grant permission the Minister of Trade and Commerce would have to grant an export licence?

Mr. NICHOLSON: In view of this committee recommending that a blanket action be passed that gave Imperial Oil the right to do this I think any Canadian minister would be guilty of a breach of promise in not complying.

Mr. McILRAITH: I think that any Canadian minister would in such instance be very certain to refuse it because if any company went along and built a pipe line to the border without dealing with its application for an export permit, certainly I would think any Canadian minister would react to such application very firmly and probably unfavourably.

Mr. NICHOLSON: The time to take action is before we pass the Act in parliament.

Mr. McILRAITH: No. The time to take action is at the point at which the permit for construction is being granted; that is the time to take action for the permit. To marshall the actual work for the construction of a pipe line, with the engineering requirements and the financial arrangements required, is not a thing that can be done before incorporation. It cannot be done that way. It is pretty difficult to guess at as to the time required, but it is a proposition of several months after incorporation. Prior to that they have no corporate authority. The transport board requirements are quite strict.

Mr. GREEN: There are one or two points Mr. McIlraith raised. For example, he said no other company had been restricted in the area in Canada in which it could operate. That is not correct. The Canadian-Montana Pipe Line Company was restricted to the province of Alberta and outside of Canada; and the West Coast Transmission was restricted to Alberta and British Columbia. The whole point here is that this charter is not a charter asking power to construct branch and feeder lines. If that were the case there would be very little objection to it. But, while they say that is all they are going to do, this charter is a wide open charter just the same as all these other charters which have been granted by parliament. Let the Imperial Oil restrict their charter to branch and feeder lines and then we can deal with it on that basis. That is all they say it is. While they say that is all it is they are asking a charter from parliament which is not restricted at all but is wide open. Once this is over they walk out with a charter which enables them to compete with Trans Canada Pipe Lines Limited or Trans Mountain without the restrictions which those companies were willing to have written into their charters. What I cannot see is why these people should get preferential treatment. If they only want to build branch lines let them reword their charter to say that is all they want. Nobody is quarreling with their right to pipe the oil from a well on the boundary into the United States to the main line there. But that is not what this committee is dealing with; this committee is dealing with an application for a wide open charter.

Mr. CARRICK: This seems to boil down on this point to whether Canadian interests would be protected if a clause were not incorporated, limiting the main line to Canada. I would like to ask Mr. Green if he could tell me why it was considered that the permission of the Minister of Trade and Commerce would not be a sufficient protection for Canadian interests that they could not export the oil without his permission. I am wondering why it was not considered that would be sufficient protection of Canadian interests?

Mr. GREEN: Because this issue is of far reaching importance. There is a question of the whole national policy involved in this. It was because

of that line of thinking that we had the pipe line filibuster which eventually ended in parliament writing into these charters this provision that the main lines must be in Canada thereby showing that the parliament of Canada felt that is the type of policy which should be followed rather than leaving it to the Board of Transport Commissioners or to the minister. The Board of Transport Commissioners now have the advantage of knowing this is the type of policy which the Canadian parliament think should be adopted. It would give the minister the same information and give the minister that much more power when he has to do an unpleasant job such as refusing to issue an export permit. This was in effect broad national policy which was set out in these previous charters. The Imperial Oil is now—whether intentionally or not—trying to break down that provision. I think it is extremely far reaching. It strikes at our whole national gas policy and it is done that way in order that they can build branch lines. Let them ask for power to build branch lines if that is all they want. Why should they demand these additional rights.

Mr. JOHNSTON (*Bow River*): It does seem to me that we are going to run into a little difficulty as far as an overall gas policy for Canada is concerned. I have always taken the view that particularly those in the southwest should transport their gas or sell their gas to the most profitable and convenient market and that those of us in the west should be permitted to export our gas to the south, that being the most close and logical market, and that down here in the east they should be permitted to import gas in eastern Canada. The government has seen fit to establish a policy contrary to that and they have said there shall be no gas exported until eastern Canada is supplied. That seems to be a very impractical policy but whether it is or not does not make any difference because the government has made that as a policy statement. Then if we pass this bill it seems to me under the terms of this bill these people are going to be allowed very wide powers as the member for Vancouver-Quadra just stated to operate and construct feeder lines and branch services to gather gas into a point and also are going to be permitted to export gas outside of Canada. Just what position does that put us in? It says "transportation of crude oil and other liquid and gaseous hydro-carbons." That can mean almost anything. It could mean gas. Our experience has proven in the House that some of these terms are with the gravest intention; I am not accusing the proponents of this bill of trying to put anything across. Now, what position is the Trans Canada Pipe Line Company going to be in if this bill is passed and this company is given permission to export gas from Winnipeg say to Minneapolis when Trans Canada has taken the view that they cannot possibly build a gas line to eastern Canada unless they have the permission and privilege of building a line from Winnipeg out to Minneapolis. I would think it would then be in the impossible position that it would never be able to build that Trans Canada line with the result that we in western Canada are being deprived of millions of dollars because this government has set out a policy that the line must be built to eastern Canada, whether it is practical or not practical, whether it is economical or uneconomical, and then they come in and pass another bill like this which practically cuts our throat.

I am not against this company getting a licence to export gas. As I said before we should have that privilege out in the west. I do not think we should hold up the development of our natural resources until Toronto or somebody else gets their gas. They never did anything for us in the west. I certainly want to see the natural resources of all of Canada developed. I want to see the interests of Canada come before any other place; but I do not want to see an imposition put on one part of the country that is not provided to another.

I am wondering just how this is going to affect the construction of the Trans Canada Pipe Line and affect the policy as laid down by the federal government that Ontario and Quebec should be supplied before any export is permitted.

Mr. McILRAITH: Mr. Chairman, perhaps I should answer this. I think it is clear to all members that I am not the parliamentary assistant. There are two points perhaps which should be clear. The question of main pipe lines and branch or feeder lines is a very difficult one to determine because if you are transporting oil from a well across a provincial boundary to a refinery presumably that is the main pipe line. I do not know where you draw the distinction or how you get over the difficulty of service within an area where there is no existing so-called main pipe line. Therefore, I think that point is somewhat confusing and a little difficult of solution.

There is another point than that raised by Mr. Johnson. This bill quite clearly includes oil or gas. I take it there may have been some confusion in our discussion this morning and perhaps part of it is my fault in not being sufficiently clear in drawing a distinction between oil and the gas. The oil is a commodity that is shipped in any kind of container in any way. Quite different principles apply to gas and they are not even analogous in my view. The consequence of restricting the company from exporting outside of Canada for the transportation of oil would be quite serious in these applications. That is not exactly the same with respect to gas. If the committee wants to discuss a restriction or prohibition against the applicants having authority outside of Canada I suggest with all deference to the committee—and I hope the members will take it in good faith—that they draw a distinction between oil and gas.

Mr. GREEN: But the bill covers both.

Mr. McILRAITH: What the committee really is discussing, as I listen to it, is the desirability or not of a prohibition against the company having authority to build a gas line outside of Canada and I would suggest if the committee is considering a prohibition in the bill that it be limited to gas only and not to oil. The honourable members saw the consternation in the House the other day when there was the question of the possible embargo against the export of oil from western Canada. I think there is unanimity on the proposition that it is necessary to export it.

Mr. JOHNSTON (*Bow River*): There is oil being shipped out by way of Winnipeg to Superior; that is a main oil line. Does the government policy exclude further export of oil as well as gas?

Mr. McILRAITH: I cannot give the government's policy, but as I understand it it does not in any way limit the export of oil. Actually, if you took Mr. Green's amendment you would prevent the shipping of oil from western Canada by pipe line to Sarnia. We are confusing two wholly different commodities. Oil is a commodity which you can buy anywhere wherever it is cheaper.

Mr. JOHNSTON (*Bow River*): How would this affect the further construction of the Trans-Canada Pipe Lines when this construction depends upon the export of gas to Winnipeg and Minneapolis? That seems to my mind to be a very serious thing and one which we should consider before we proceed with this bill and somebody should be here to inform us in that.

Mr. McILRAITH: I think that the committee are not too much concerned with respect to the outside of Canada as far as it pertains to oil. I think the concern of any committee members is to the gas policy and I do not know what the applicants have to say about gas but it seems to me if we could discuss the two commodities separately then we would get to the question. I would suggest we limit it to gas.

The WITNESS: Perhaps I could make the initial comment, sir, that there are at the present time a number of companies in Canada who have the capacity to export gas out of Canada. But, the federal government is not going to let them. In other words incorporating our company with the wide powers we have asked for I do not think changes the situation as far as Trans-Canada is concerned.

Now, secondly, I would like to endorse what Mr. McIlraith has said that oil is one thing and that gas is most certainly another. What I mean by that is we are trying to find markets for oil and as far as we know the government is encouraging us to do so. When it comes to gas it is a matter of government policy.

Mr. LEBOE: It is my understanding that the production of oil is held back in some areas in Alberta, for instance, because of the gas conservation policy which is in effect. In other words, they want to save the gas because there is a great restriction on the gas in the United States. As far as Canada is concerned they cannot pump the oil out wasting the gas and therefore the oil production is curtailed because of a lack of markets for gas.

Mr. B. H. MACKENZIE (*Executive Westspur Pipe Lines*): I believe the position is that the Gas Conservation Board has required that the gas not be flared or wasted. I believe there are plans under way to install a gas conservation plant which necessitates the gathering of this surplus gas from the wells and distributing it to this gas conservation plant and therefore the gathering people have to build a gas line for that purpose and it is somewhat ancillary to the gathering of the oil. In other words, in order to gather the oil they also have to pick up the gas and distribute it and conserve it. The gas lines to that extent are required as part of the gathering of oil.

Mr. LEBOE: Then the restriction placed in connection with our national gas policy has been an obstacle in the production of oil in the province of Alberta?

Mr. MACKENZIE: I think you may be correct.

Mr. BYRNE: I would not think that is quite so. The government has authorized the export of natural gas in the west to the northwest pacific market and it is because the Federal Power Commission in the United States have not granted the import permit that this pipe line has not been built. Mr. Green has said it is the national policy to restrict the pipe lines to entirely in Canada. I can recall sitting here in 1949 and chartering gas pipe lines and the West Coast Transmission had been granted a charter in the spring of 1949 but still we have no gas carrying pipelines built. So, whether parliamentary policy was wise or provident is still I think a matter for conjecture. I think we should still be a little bit flexible in this regard and let us see some gas lines being built. I do not think it is government policy entirely that is restricting the export of the gas anymore than it is American policy which is restricting our gas production. I wonder would the witness not consider it somewhat inconsistent if the main gathering lines were restricted to Canadian soil while the line that they were seeking dipped immediately into the American soil. I think it is just a little bit—if you will excuse the word—silly to insist that this Canadian company must build their main lines entirely in Canada while the line that is carrying the bulk of the gas is going almost directly into the United States. I think we should differentiate between gas and oil and I am wondering in order that we might have some unanimity in this committee if the applicants' are prepared to write into the bill something which is being proclaimed the national policy on gas simply on natural gas as separated from the oil.

Mr. WESELAKE: Would not the basis for the main line requirement in Canada be to have control of our resources for national security?

The WITNESS: The answer is yes. Frankly gas is of so little interest.

By Mr. Byrne:

Q. Could we not settle the matter by having an amendment to the bill?—A. When it comes to oil I think you are wrong to put on a limit.

Q. I think you are perfectly correct.—A. When it comes to gas we would only transport gas for the short distance necessary to get it a plant which will separate it from the oil, and then we do not want to have anything more to do with the gas. We are interested in transporting oil, and as far as gas is concerned, we have no objection to any reasonable limitation on our capacity.

By Mr. Hahn:

Q. With all due respect to what the witness has said, I am satisfied that this firm is ready to delete gas and gaseous substances from the bill in this instance; but we have found in British Columbia, that if we had built a gas line at the same time that we built the oil line to the Pacific coast, we could have built it considerably cheaper. And I can see a time when we will be transporting this gas into the United States with a development of the oil field, and we will always have the gas coming, but it will mean that we will just be adding to the cost of the product when it is eventually sold. Possibly that was what was in the minds of those who originally drafted the bill. If the oil company is willing to delete the clause, I shall not object to it particularly; but I am not at all satisfied that we have the complete market for our gas in eastern Canada which seems to be the bug bear at the moment.

On the west coast we know that if we had had permission to transmit gas to the United States from the Federal Power Commission, as Mr. Byrne has said, we would probably have had that line built some years ago; but because that permission was not granted we did not follow through and build the gas line at the time we built the oil line. I would not be too happy about seeing gas taken from the bill, but if it is the wish of the company to do so, I will not object.

The WITNESS: It is not our wish.

By Mr. Harrison:

Q. I gathered that the point is whether we should have a new gas and oil policy written into this bill, or whether it should remain as previously with the Minister of Trade and Commerce and the Board of Transport Commissioners. We have had a lot of discussion with pros and cons on both submissions. I for one am satisfied that, with the safeguards provided by the present Minister of Trade and Commerce and the Board of Transport Commissioners—because they in the final analysis are going to have the say as to whether oil or gas is exported or imported, or any other features which might be required by this or any other company—I am prepared to go along with the government: in other words, I am prepared that the government should be responsible for our oil policy and think that the sooner we come to a division on this particular point, the sooner we can report progress.

Mr. GREEN: I would like to read to Mr. Barrett the type of amendment which has been used, and to fit it into this bill; I think it should come after the words "hydrocarbons" on line twenty-nine of page 2; that would be in clause 6 of the bill, and I would like Mr. Barrett to say just how his company would be affected if words of this kind were written in:

Provided that the main pipe line or lines, of this company either for the transmission or transportation of oil or other liquids and gaseous hydrocarbons shall be located entirely within Canada.

Then, as he said earlier, there would be the line as indicated, and it would obviously be only a branch line; it could not be construed as a main line and therefore it would not be effected by that proviso. But the proviso would have the effect of limiting the construction of what was really a main line, and it

would also keep the terminology the same in all the charters except those which were granted in the spring of 1949, so that no company would have a preference over another company. Does Mr. Barrett think that his company would be really hurt by an amendment of that kind being written into the bill?—A. You have made that amendment referring to oil as well as gas. I cannot understand why. From any standpoint there should be no limitations on an oil pipe line. I can understand your concern over a gas pipe line, but I return to the proposition stated some time ago: if we want to build a line down into the United States in order to get a new market for Canadian oil, why should we not do so?

Q. How could it be worded to apply only to gas?—A. My suggestion would have been: “provided that the main pipe line or lines for the transmission or transportation of gas shall be located entirely within Canada.”

Mr. CARRICK: Gaseous hydrocarbons?

The WITNESS: Gaseous hydrocarbons would follow.

Mr. GREEN: My objection has to do with gas; I do not know whether using just the word gas covers the whole field of gas or not.

Mr. CARRICK: Use it the same as in the bill now, gaseous hydrocarbon.

By Mr. Green:

Q. Would there be gaseous hydrocarbons? Is that the proper terminology?—A. I think that is a long-winded way of saying gas.

By Mr. Hahn:

Q. It is possible to do that without too much additional cost. Does the gas not come out of the well with the oil?—A. Yes.

Q. If you are going to transmit your gas in one direction and your oil in another direction, are you going to build a separation station at each well-head?

Mr. McILRAITH: I think you should point out to the committee that what they are doing here is providing that the oil coming out of the well, because it contains gaseous hydrocarbons, cannot be put through a line outside Canada. In other words we are back at the old problem of these border wells in southern Manitoba and southeast Saskatchewan; and if they want to use a separation plant south of the border they cannot do so because their oil well contains gaseous hydrocarbons, and you get into that problem. I think the committee may not be aware of how it works out. In other words, you are limiting the company to oil which has gone through a separation plant after having come from the well. When you put that limitation on it, it becomes a matter of some consequence and I imagine the committee members would want to consider it.

The WITNESS: Yes.

Mr. GREEN: Mr. Barrett suggested that it would be satisfactory if a limitation were written in in respect of gaseous hydrocarbons.

Mr. CARRICK: Is that so?

The WITNESS: I believe that restriction would hinder us, but I am quite sure that we could live under it; it is not our wish to have a restriction in the bill, but if the committee feels it should be in the bill, and it is limited to gas, we could live under it.

Mr. McILRAITH: If you take a map south of Cromer and look at the fields marked on the Manitoba-North Dakota border, you are in effect legislating that the oil from those wells cannot be gathered with other wells immediately adjacent thereto, but must be brought back northwesterly into Canada and put through a separation plant, and then put into the interprovincial line. That is

the implication of the proposed amendment, and I am quite sure that is not what the committee intends. I am quite sure that the committee would hold—

Mr. HERRIDGE: The witness said that they could live under that amendment.

Mr. HAMILTON (*York West*): Yes. Mr. Barrett understands that the amendment is on the main line basis, and I do not think it will restrict the operations with which Imperial is concerned in gathering it.

Mr. McILRAITH: When you talk about the main line—it may be that Mr. Barrett has a definition but I have not found anyone in the business who can successfully define a main and a branch line. They can define a branch line in relation to a main line. For instance, if you take a line from an oil field to a refinery in Edmonton, is that a branch line or a main line?

Mr. WESELAK: Would not the Board of Transport Commissioners have to decide?

Mr. McILRAITH: It is not gathering; that is the difficulty; but is it a main or a branch line? I do not know. That is the kind of difficulty you get into.

Mr. WESELAK: Would not the Board of Transport Commissioners have to determine which is the branch and which is the main line?

Mr. McILRAITH: A branch can only be a branch to something; it is quite simple; you talk about a branch line when you have a main interprovincial line in that area; but it is not simple when you come into areas where the existing interprovincial line does not run. That is the difficulty.

Mr. BARNETT: Would the point not be clarified if terminology was used which would make it clear that it was a line transporting gas to a consuming market; would that not overcome the difficulty which has been outlined?

Mr. GREEN: I suggest that the proviso which was written into these other charters is perfectly clear, certainly in the mind of a person picking up the statute and reading it, when it says: “provided that the main pipe line or pipe lines of this company, either for transmission or transportation of gas or oil shall be located entirely within Canada.” Certainly to the average person reading it there would be no misunderstanding of the effect of those words. Moreover Mr. Barrett has said that he does not want that restriction applied to oil. I can see some reason for his objection to it being that wide. At the same time he said that he was willing to have it apply to gas, although he said he would sooner not have it. Of course! Naturally he would sooner not have it. He wants his charter as presented; but he is willing to work under the charter which we have proposed.

I point out that other companies have restrictions in their charters which would be wider than the restriction on Mr. Barrett’s new company. Therefore, I think we would be well advised to settle the matter on this basis. Nobody is going to be hurt if we do that, and we will retain the formula and we will not put other companies in an adverse position. Moreover we would have a lot of time in this committee and in the House and I hope that the committee will agree to let this amendment be put into effect.

Mr. HOSKING: I think this is a purely engineering problem. An oil line is of much different size than a gas line; and the government policy at the moment—although it may change some time—is that they are not going to export gas. That can only be done by Mr. Howe’s permit, or a permit from the Minister of Trade and Commerce, and he will not permit the export of gas.

Mr. GREEN: That is not correct.

Mr. HOSKING: That is quite right. He does not agree to export gas into the United States.

Mr. GREEN: That is not the government policy. The government policy is to export all surplus gas, and that the main gas line to the east must be on Canadian soil.

Mr. HOSKING: That is correct. But let us say that they want to export it. This is the problem: and this company builds a line to pump oil. There is a different problem in pumping oil and gas in the same line. One is much larger than the other; but in oil there is gas, and they cannot separate it. I can see nothing wrong with this bill as it is. They have got to drill wells and they get gas and oil coming out together, and until they pump it to a separation point, it will be pumped in one line.

I was intrigued with the suggestion that this company which is applying for a charter may eventually ask some other oil company to be a partner in its line, which company would have a perfect right to take it back and forth across the border until they get it to a separation point; but as long as the Board of Transport Commissioners say that we will not give you permission to do it, or to operate that line, and so long as the Minister of Trade and Commerce can say: we won't give you a permit to export this gas, I cannot see why we should tie them up with a formula and rules and regulations so that they cannot build a line to transport gas and oil, when it comes from the well-head to a separation point, whether it be in the United States or Canada, whichever economics is sound.

Mr. GREEN: Do you realize that with this charter the company can buy gas and compete with the Trans Canada pipe line?

Mr. HOSKING: The Board of Transport Commissioners would not allow it.

Mr. GREEN: The charter is that wide that they can go out and buy gas in western Canada and compete with Trans Canada.

The WITNESS: We cannot compete with the Trans Canada gas pipe line because, in the system that we have asked for, we have got no power to own any hydrocarbons. An oil pipe line does not own the oil which is put through the system. The shipper owns it, just as in the case of railway transportation. However, gas pipe lines own the gas in the line. They buy it at one end and sell it at the other. That is what Trans Canada has been doing. But we have no authority to own the gas or sell it. So under those conditions I do not see how we could be any threat to any gas pipe line company, because I do not see how you can operate a gas pipe line unless you are willing to own the gas in that line.

Mr. JOHNSTON (*Bow River*): I am not against granting the company a charter to export and sell gas outside of Canada. The thing I am concerned about is government policy. It has been stated in no unmistakable terms that there shall be no surplus gas sold outside Canada, or no gas sold until the eastern market has been satisfied. Only then shall surplus gas be sold. I think that is the policy at the moment and we have to accept it. But now the sponsors of this bill, as Mr. McIlraith has said—you cannot even export oil without having a certain amount of gas in it. When this oil is exported, even to Superior, when this oil is exported by a purely so-called oil pipe line—

Mr. MCILRAITH: That oil has been through the separation plant; the oil in that pipe line to Superior is oil after separation.

Mr. JOHNSTON (*Bow River*): That brings up another point; if you are asking for permission, you have this term liquid-gaseous hydrocarbons which you say means gas included in this bill, because you point out that you cannot transport oil without first having it go through a separation plant. You do not want, under this bill, to put this through a separation plant in Canada. Is that so?

The WITNESS: No, that is not right.

Mr. JOHNSTON (*Bow River*): It is the same principle as the one in Superior, is it?

Mr. McILRAITH: No.

Mr. HOSKING: Here is the border down in Manitoba; you will see four wells south of the border, and three or four north of the border; and they want to gather it into one pipe line and separate it at one place.

Mr. JOHNSTON (*Bow River*): On which side of the border?

Mr. HOSKING: That is not decided; but they cannot get a permit to export gas at the present time.

Mr. McILRAITH: They have no power to own gas. They cannot go into the gas exporting business.

Mr. HOSKING: What they want to do is take it across the line until they can get it separated.

Mr. JOHNSTON (*Bow River*): Suppose the separation point is on the other side of the line; they just could not do it, not under the policy of this government.

Mr. HOSKING: If there was any quantity of gas they could not do it.

Mr. JOHNSTON (*Bow River*): The government's policy is that no gas—

Mr. HOSKING: Just a very small quantity.

Mr. JOHNSTON (*Bow River*): It does not make any difference. The whole policy is "screwy", and it should be changed; it is an utter impossibility; and these people have pointed it out clearly that government policy does not state that no degree of gas shall be exported, but it says no gas. Perhaps the House will change that policy. If the government is going to change this policy I would be tickled to death. I think we should have same restatement of policy in connection with this thing. I am against the company getting an export permit for gas or oil. I want to make sure that it does not hinder us in Alberta or Saskatchewan in disposing of our gas to eastern Canada or other points.

Mr. HOSKING: I move that the bill be taken as it is.

Mr. CARRICK: It is quite obvious from what Mr. Barrett says that it is oil in which you are primarily interested, and that the gas is only incidental, and the suggestion is that they put in a clause in paragraph 6 after the word hydrocarbons which will read:

"Provided that the main pipe line or lines for the transmission or transport of gaseous hydrocarbons shall be located entirely within Canada."

Mr. Barrett has said that it is something they could live with, by which I take it to mean that he would be satisfied with it, although it is not entirely what he would like. However, if you find, Mr. Barrett, that it causes you any real difficulty you can always come back for an amendment could you not? It is a little trouble, presumably, but you could come back with a request for an amendment. Can I get a reply from the witness.

The WITNESS: I agree with what you say. You will realize that we are a bit nervous. We can only come to parliament once a year, and oil wells can be discovered in the middle of a year, and the type of transportation system we are talking about, namely oil, might be urgently required in the course of the year; it could be built in two months; and it was for that reason, and that reason alone I was trying to get a bill with wide powers, feeling sure that I could not anticipate what demand for this transportation service there might be.

Mr. CARRICK: You would be content to get the bill with the suggestion that has been made?

Mr. HOSKING: That was my motion, that we accept the bill as it is.

Mr. HERRIDGE: You cannot make a motion like that.

The WITNESS: I would accept the amendment, but I would prefer not to have it.

Mr. JOHNSTON (*Bow River*): What is the amendment?

Mr. CARRICK: It was suggested by Mr. Green that in section 6 after the word hydrocarbons in line 29.

The CHAIRMAN: We can take it up when we come to section 6.

Mr. HAMILTON (*York West*): Perhaps you might read the amendment.

The CHAIRMAN: We will take it up when we come to section 6.

By Mr. Hamilton (York West):

Q. Is there any particular reason why you have a clause put in dealing with aircraft and airdromes? Isn't that an ancillary power which you have and which you might or might not use?—A. The answer to that is; this is not an ancillary object which we might or might not use. It is one which we may want to use and I would rather not leave it to the ancillary powers which we might have. So we took it out in order to draw it to your attention to make sure that we could carry on with that part of the business.

Q. This is subject to any regulations there may be of the Department of Transport, is it not?—A. Absolutely.

Q. Does the company intend to make use of its own aircraft, or is it likely to hire aircraft from other people?

Mr. B. H. MACKENZIE (*Executive, Westspur Line Company*): It could be either way. We could use our own aircraft, if the economics justified it. That is really what it amounts to. Normally if the economics were not favourable, we would hire commercial aircraft which were properly licensed.

Mr. HAMILTON (*York West*): Would they be aircraft which were specifically purchased by Westspur Pipe Line Company, or would the Imperial Oil Company supply them for your use?

Mr. B. H. MACKENZIE: They would be aircraft purchased by Westspur, if such were required.

Mr. HAMILTON (*York West*): There is no central group of aircraft doled out by Imperial Oil to its various subsidiary companies, or anything like that?

Mr. B. H. MACKENZIE: No.

The CHAIRMAN: Shall the preamble carry?

Carried.

Shall clause 1 carry?

Carried.

Shall clause 2 carry?

Carried.

Shall clause 3 carry?

3. The capital stock of the Company shall consist of two million shares without nominal or par value.

The CLERK OF THE COMMITTEE: There is a motion with respect to the charges on this bill.

Mr. BYRNE: I move this motion.

The CLERK OF THE COMMITTEE: It is being moved so that the House can assess the proper charges against the bill. The motion is:

That for the purpose of levying a charge on the capital stock, which will have no nominal or par value, the Committee recommend that each share be demmed to have a value of \$10.

The witness has a statement to make in that regard.

The WITNESS: I am not sure of the technicalities of this, but we have prepared a declaration under oath to the effect that the share capital will be 2 million of no par value shares, issued in consideration, not to exceed in the aggregate \$20 million, which is \$10 per share.

Mr. BYRNE: I move this motion.

The CHAIRMAN: It is moved by Mr. Byrne and seconded by Mr. Lafontaine that the no par value shares be valued at \$10 for the purpose of levying charges on the Bill. All those in favour of the motion will so signify? Contrary? I declare the motion carried. Shall clause 3 carry?

Carried.

Shall clause 4 carry?

Carried.

Shall clause 5 carry?

Carried.

Shall clause 6 carry?

6. The Company, subject to the provisions of any general legislation which is enacted by Parliament relating to pipe lines for the transmission and transportation of crude oil and other liquid and gaseous hydrocarbons, may

(a) within Canada in the Northwest Territories and the provinces of British Columbia, Alberta, Saskatchewan and Manitoba and outside Canada, construct, purchase, lease, or otherwise acquire and hold, develop, operate, maintain, control, lease, mortgage, create liens upon, sell, convey or otherwise dispose of and turn to account any and all interprovincial and extra-provincial pipe lines connecting a province with any other or others of the provinces or extending beyond the limits of a province and all works and appurtenances relative thereto for gathering, processing, transmitting, transporting, storing and delivering crude oil and other liquid and gaseous hydrocarbons; and own, lease, sell, operate and maintain aircraft and aerodromes for the purpose of its undertaking, together with the facilities required for the operation of such aircraft and aerodromes; and own, lease, operate and maintain interstation telephone, teletype and telegraph communication systems, and subject to the *Radio Act*, and any other statute relating to radio, own, lease, operate and maintain, interstation radio communication facilities;

(b) purchase, hold, lease, sell, improve, exchange or otherwise deal in real property or any interest and rights therein legal or equitable or otherwise howsoever and deal with any portion of the lands and property so acquired, and may subdivide the same into building lots and generally lay the same out into lots, streets and building sites for residential purposes or otherwise and may construct streets thereon and necessary sewerage and drainage systems and build upon the same for residential purposes or otherwise and supply any

buildings so erected, or other buildings erected upon such lands, with electric light, heat, gas, water or other requisites, and lease or sell the same, upon such terms and subject to such conditions as appear requisite, either to its employees or to others; and

- (c) exercise as ancillary and incidental to the purposes or objects set forth in this Act, the powers following, unless such powers or any of them are expressly excluded by this Act, namely, the powers set forth in paragraphs (a) to (bb) inclusive of subsection (1) of section 14 of the *Companies Act*.

There will be an amendment.

Mr. GREEN: I move the amendment which Mr. Carrick read a few minutes ago. I think Mr. Carrick still has it.

Mr. CARRICK: I took it from what you read.

The WITNESS: Shall I read it? The amendment would be that after the word "hydrocarbons" in line 29 of clause 6 on page 2, these words would follow:

provided that the main pipe line or lines for the transmission or transportation of gaseous hydrocarbons shall be located entirely within Canada.

Mr. JOHNSTON (*Bow River*): We had a discussion a while ago about main lines and branch lines.

The WITNESS: That is the difficulty.

Mr. JOHNSTON (*Bow River*): It seems to be a difficult thing. They have the words "main pipe line" and "lines" and I think it should be properly defined. I do not want to vote on something which Mr. McIlraith has already indicated may lead to confusion. That only adds to the confusion.

Mr. GREEN: That will bring the section into conformity with the proviso which is in these other charters with the exception that this company has the advantage of having oil taken out of it. The proviso does not apply to oil, whereas in the other case it does. Here it will only apply to gas.

Mr. HOSKING: This is purely an engineering problem and I do not see why it should be mucked up with restrictions. If you were an engineer out on a job and had one well on one side of the border and one on the other and you only want to pump oil and find that because there is some gas in that oil you cannot pump that oil across the border I am sure an engineer would say "what fools you have in the House of Commons who will stop us joining that up". To me it is surely an engineering problem. The boys handling oil do not want to be bothered with gas, but unfortunately they cannot get the oil without the gas. Surely you are not going to restrict them pumping this gas out to their separation plants without all this fuss.

Mr. SMALL: There has been a lot of gas in this bill.

Mr. HOSKING: These oil companies do not own the gas and have no power to own it and no one has any right to ship it out unless they obtain a permit. The restrictions on it now are so strict it would be absolutely senseless. Why muck up the operation of operating an oil field when you are talking about something that the boys handling the oil do not want anyway. When it comes out of the ground the two are mixed up together and they cannot separate it.

Mr. GREEN: You are going much farther than Mr. Barrett has gone. Mr. Barrett has said this company can operate.

Mr. HOSKING: His company can but there may be other companies that cannot.

Mr. GREEN: He said they can operate with this proviso. Mr. Barrett has a typed amendment which he just read out.

Mr. JAMES: So what?

Mr. GREEN: I did not bring in that typed amendment. We have agreed to take oil from this province. You are going much further than he has gone.

Mr. HOSKING: No.

Mr. GREEN: What you are overlooking is this policy with respect to gas by your own minister; your own government has taken that stand. Now there are other bills coming through from the other House which will involve this same thing and if you open this charter up wide for Imperial Oil each other company will want their charter wide open as well. I do suggest that the course which we should follow here is to prevent this whole business having to be fought out again in the House to the tune of hours of debate. The company are satisfied with the amendment.

The WITNESS: Not satisfied.

Mr. GREEN: Why should we go further and turn down this amendment?

The WITNESS: We do not know what the function of the government is in a bill like this but this bill in its original form was submitted to the Department of Transport and I do not know whether they accepted it but they—

Mr. McILRAITH: They stated they have no objection to it. I do not think it means approval. I do not think they put themselves in a position of approving any private legislation.

Mr. HAHN: Could the witness tell us how many fields they control along the border which might be affected by this?

The WITNESS: We do not control any in the sense that we have or expect to have all the production. We have mineral rights scattered throughout this area usually on a checkboard pattern, so that we will own one and somebody else another and we will own another further on.

Mr. HAHN: Are there none that are in the process of being developed at the present time?

The WITNESS: Yes, Alida and Frobisher in which we have considerable interest. We may own 20 per cent in one pool and 30 per cent in another.

Mr. HAHN: On the border between Canada and the United States?

The WITNESS: There are no pools straddling the border at the present time but the wells have been drilled so close to the border that we think in the course of further drilling some of them may cross the border.

Mr. HOSKING: Let us give them the freedom to pump their oil to a separation plant.

The WITNESS: This proviso does restrict us in that regard and we have to build two separations, one on each side of the border.

Mr. BYRNE: If this amendment in any way restricts the pumping of a combination of gas and oil I do not think we should pass it. If it applies strictly to natural gas in a consumable form then it is acceptable. In view of the fact that we have said we are not going to restrict the company from collecting oil, then if it is a combination of oil and gas and the gas cannot be used until separated then I do not think we should accept this amendment.

Mr. CARRICK: Mr. Hasking has made a statement which is his idea of the effect of this amendment. It sets out his understanding of the outcome of this situation if the amendment goes through. I would like to ask Mr. Barrett, bearing in mind that this is restricted only with respect to gas lines transferring gas, whether the company is going to suffer the inconvenience which Mr. Hosking has suggested.

The WITNESS: My difficulty is that I do not really know what a main line is. Mr. McIlraith has made one suggestion if a line goes from a producing well to a refinery, what is it? It may be a very short line, and a well near it has a branch line but with the Department of Transport administering and controlling us as they do, I do not know. I am quite clear about gathering lines; they are a web of lines taking oil from individual wells to a central gathering point. But, from there on I do not think that any of us are sure of the difference between a branch line and a main line.

Mr. WESELAK: Subject to an export permit you can still gather Canadian oil on the United States side of the border.

The WITNESS: I am reading from the charter of the Trans-Canada Pipe Lines Company and this is true of all the charters of companies coming under Canada who wanted to transport gas. In the same clause 6 (a) it goes on to say:

The company may purchase or otherwise acquire, process, refine, treat, transmit, transport and sell, or otherwise dispose of and distribute natural and artificial gas.

We have mentioned all those products. This is section 6 (a) of the Trans Canada Pipe Lines charter and slightly about the middle of (a). That is completely excluded from our charter.

Mr. CARRICK: You told us your gaseous hydrocarbons would include gas?

The WITNESS: Yes, but there is nothing about purchase.

The CHAIRMAN: Shall the amendment carry?

On division the amendment is defeated.

Shall clause 6 carry?

Carried.

Shall clause 7 carry?

Carried.

Shall clause 8 carry?

Carried.

Shall clause 9 carry?

Carried.

Shall clause 10 carry?

Carried.

Shall the title carry?

Carried.

Shall the bill carry?

Carried.

Shall I report the bill without amendment?

Carried.